LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6765
BILL NUMBER: HB 1303

NOTE PREPARED: Dec 28, 2002
BILL AMENDED:

SUBJECT: Taxation of recreational vehicles and truck campers.

FIRST AUTHOR: Rep. Kruse
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2003	FY 2004	FY 2005
State Revenues			
State Expenditures		115,400	(303,600)
Net Increase (Decrease)		(115,400)	303,600

Summary of Legislation: This bill provides that recreational vehicles and truck campers are subject to an excise tax instead of the ad valorem property tax on personal property.

Effective Date: January 1, 2004.

Explanation of State Expenditures: *PTRC Savings*: The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school General Fund levies attributable to all property. The state also pays 20% of the portion of operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. If assessed values and maximum levies are reduced as a result of this proposal (see *Explanation of Local Revenues*), the state would save the amount of PTRC paid on the maximum levy reductions for civil unit levies and for school transportation funds. The reduction in assessed value for school general funds would result in the state continuing its overall funding level by shifting part of the state payments from PTRC to tuition support. The amount that the state would save from civil unit and transportation fund PTRC payments is estimated at about $307,000 in FY 2005 and $920,000 per year thereafter. PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any additional PTRC expenditures would ultimately come from the General Fund.

BMV Expenses: The Bureau of Motor Vehicles would incur additional costs related to the startup and maintenance of the new excise tax program. The BMV estimates startup costs of $112,000 in FY 2004 for contract software work. Ongoing expenditures for valuation guides, printing, and decals are estimated at about $3,400 per year, including the FY 2004 startup year. Total estimated expenditures for FY 2004 are $115,400.

Net State Impact: The overall net impact projected for the state under this proposal is an additional expenditure of $115,400 in FY 2004 and savings of $303,600 in FY 2005 and $916,600 for years following.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, RVs and truck campers are assessed as personal property. Taxpayers must list this property on an individual-owned property tax return to be filed with the township assessor. The assessed value of this property becomes part of the tax base, and the taxpayer pays property tax on the RV or camper based on the prevailing property tax rate where the property is located. This bill would remove RVs and truck campers from property taxation and instead require that the owners of this property pay an excise tax.

The proposed excise tax rates for the first year of a new RV or truck camper are based on the amount of property tax that would be paid using a $1.90 net property tax rate. This rate is the estimated statewide net property tax rate for real and non-business personal property for CY 2004. The estimate takes into consideration the effects of reassessment and the changes made by HEA 1001-2002(ss). The initial-year rates are then reduced during each of the following nine years by the same reduction percentages used in the Motor Vehicle Excise Tax rate structure.

It is estimated that the RV/Camper excise tax rate schedule will generate roughly the same amount of revenue ($8.2 M) that will be paid in CY 2004 net property tax on these same properties.

The bill would grant taxpayers a credit against property tax due on RVs and campers in CY 2004 in the amount of excise tax paid. In CY 2005, maximum permissible levies would be reduced by the amount of RV/camper excise tax that the unit received in CY 2004. These provisions would ensure that local taxing units receive the same amount of overall revenue with the RV/camper excise tax in place as they now receive under property tax.

There would be a slight tax shift under this bill from RV/camper owners to all other property owners. More correctly, the shift is from the state PTRC obligation on behalf of RVs and campers to all other taxpayers. Since (1) the maximum levy reduction would be equivalent to the net, and not the gross, property tax generated by RVs and campers, (2) the state would save the regular PTRC currently paid on this levy, and (3) there would be no reduction in overall local revenues, the difference between the net and gross civil and transportation fund levies on RVs and campers would shift to other taxpayers. This shift is estimated at about $920,000 per year, statewide.

State Agencies Affected: Department of Local Government Finance; Bureau of Motor Vehicles.

Local Agencies Affected: County Auditors.

Information Sources: Local Government Database; Jane Morrical, Bureau of Motor Vehicles (232-2822).

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